TAXPAYER REFUND ACT/Social Security Lockbox

SUBJECT: **Taxpayer Refund Act of 1999 . . . S. 1429. Abraham motion to waive the Budget Act for the consideration of the Abraham amendment No. 1398.**

ACTION: MOTION REJECTED, 54-46

SYNOPSIS: As reported, S. 1429, the Taxpayer Refund Act of 1999, will give back to the American people $792 billion of the $3.3 trillion in surplus taxes that the Congressional Budget Office (CBO) has projected that the Federal Government will collect over the next 10 years. The projection is based on assumptions of 2.4-percent average annual growth in the economy, no growth in discretionary spending after 2002, and entitlement spending growth as required under current law. Approximately $1.9 trillion of the surpluses will be Social Security surpluses (Republicans have been attempting to defeat a Democratic filibuster of a proposal to protect those surpluses from being spent; see vote Nos. 90, 96, 166, 170, 193, and 211). After protecting the Social Security surpluses and providing tax relief of $792 billion, $505 billion will remain for additional spending or debt reduction. The average growth rate over the past 50 years has been 3.4 percent. The current growth rate is around 4 percent. If the 3.4-percent average rate is maintained for the next 10 years, then (using the CBO rule-of-thumb chart from Appendix C of the January 1999 Economic and Budget Outlook) the surplus will be roughly $4.9 trillion, not $3.3 trillion. Key tax relief provisions include that the bottom tax rate will be lowered to 14 percent and expanded (providing $297.5 billion in tax relief over 10 years) and the tax burden on families will be cut (providing $221.7 billion in tax relief). Tax relief will also be given to encourage saving for retirement, to make education and health care more affordable, to lower death taxes, and to lower taxes on small businesses.

The Abraham amendment would enact the Abraham/Domenici/Ashcroft Social Security Lockbox amendment (see vote Nos. 90, 96, 166, 170, 193, and 211 for related debate). That amendment would enact budget process reforms to protect the $1.9 trillion in Social Security surpluses that will accrue in the next 10 years from being spent or used for tax cuts. Details are provided below.

- Debt held by the public point of order. A limit on the debt held by the public would be created ("debt held by the public" refers to money that is owed to non-Federal creditors; currently only the public debt, which also includes money that the Federal Government owes to Federal trust funds as well as non-Federal creditors, is capped). That new debt limit would decline by the

(See other side)

YEAS (54)			NAYS (46)			NOT VOTING (0)	
Republicans (54 or 98%)		Democrats (0 or 0%)	Republicans (1 or 2%)	Democrats (45 or 100%)		Republicans (0)	Democrats (0)
Abraham	Helms		Roth	Akaka	Kennedy		
Allard	Hutchinson			Baucus	Kerrey		
Ashcroft	Hutchison			Bayh	Kerry		
Bennett	Inhofe			Biden	Kohl		
Bond	Jeffords			Bingaman	Landrieu		
Brownback	Kyl			Boxer	Lautenberg		
Bunning	Lott			Breaux	Leahy		
Burns	Lugar			Bryan	Levin		
Campbell	Mack			Byrd	Lieberman		
Chafee	McCain			Cleland	Lincoln		
Cochran	McConnell			Conrad	Mikulski		
Collins	Murkowski			Daschle	Moynihan		
Coverdell	Nickles			Dodd	Murray		
Craig	Roberts			Dorgan	Reed		
Crapo	Santorum			Durbin	Reid		
DeWine	Sessions			Edwards	Robb		
Domenici	Shelby			Feingold	Rockefeller		
Enzi	Smith, Bob (I)			Feinstein	Sarbanes		
Fitzgerald	Smith, Gordon			Graham	Schumer		
Frist	Snowe			Harkin	Torricelli		
Gorton	Specter			Hollings	Wellstone		
Gramm	Stevens			Inouye	Wyden		
Grams	Thomas			Johnson			
Grassley	Thompson						
Gregg	Thurmond						
Hagel	Voinovich						
Hatch	Warner						

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

amount of the projected Social Security surpluses (declines would be annually in the first years, and biannually in the later years; over 10 years the decline would be $149 billion less than the projected surpluses due primarily to factors known as "other means of financing" that affect the Government's need to borrow from the public; those factors include changes in cash balances and seigniorage). Each new debt limit would take effect on May 1 of the given year (the general fund of the Treasury has high levels of cash reserves on May 1). A three-fifths majority (60) vote would be required to consider any legislation that would increase or exceed the limit on the debt held by the public. The limit would be suspended automatically after two successive quarters of economic growth of less than 1 percent or if a declaration of war were in effect. The debt levels would be adjusted if estimates of projected Social Security surpluses changed, if Social Security reform legislation caused a change in the surpluses (just 1 adjustment could be made for this purpose), or if emergency legislation were enacted that caused a change in the Social Security surpluses.

- Social Security point of order. A point of order would be created in the Senate against considering any budget resolution that counted Social Security receipts or disbursements in its calculations.
- Social Security surplus protection point of order. A point of order would be enacted in the Senate against considering a budget resolution, amendment thereto, or conference report thereon, that would allow a deficit in any fiscal year, unless the deficit resulted from the enactment of Social Security reform legislation or emergency spending, as declared by Congress and the President. A three-fifths majority (60) vote would be required to waive the point of order.
- Other provisions. The above points of order would not apply against emergency, discretionary defense spending. Congress would reaffirm its support for the current-law ban on counting Social Security receipts and disbursements in budget calculations. The Treasury Department would be required to give priority to paying Social Security benefits should there be any shortage in Federal funds for paying Federal obligations, including Social Security obligations. The amendment would expire on April 30, 2010.

Senator Reid raised a point of order that the Abraham violated section 305(b)(2) of the Budget Act. Senator Abraham then moved to waive the Budget Act for the consideration of the amendment. Generally, those favoring the motion to waive favored the amendment; those opposing the motion to waive opposed the amendment.

NOTE: A three-fifths majority (60) vote is required to waive the Budget Act. After the vote, the point of order was upheld and the amendment thus fell.

Those favoring the motion to waive contended:

Senate Democrats have had a rolling filibuster against this amendment for more than 3 months. They oppose it because they know it would work. If enacted, it would stop them from putting their chubby little fingers into the Social Security cookie jar. First they complained that it was too strict. We modified it. Then the House passed a weaker version of the lockbox on a huge, bipartisan vote, and Senate Democrats filibustered that proposal. After that filibuster, the President suddenly changed his rhetoric, announcing that he favored saving every penny of the Social Security surpluses for Social Security. Senate Democrats then made the claim that they thought the idea of a lockbox was just great, but they wanted to include Medicare. However, Medicare is a totally separate issue. That program is also in trouble, but its problems are a lot different than Social Security's. Medicare is not generating and will not generate huge surpluses because it is providing health care under an outdated, very inefficient system that wastes billions of dollars each year and is unable to prevent massive fraud. If reforms are made to Medicare to make it efficient and to eliminate fraud it will remain solvent, and it will be possible to provide additional benefits such as a prescription drug benefit. Throwing money at it, turning it into a semi-welfare program as proposed by Democrats (to get around the problem of creating a lockbox for a program that is not generating surpluses, the Democrats have proposed filling their Medicare lockbox with $290 billion from the taxpayers), will not fix any of Medicare's problems. When we talk to senior citizens in our States, they are adamant that we should not mix the issues of Social Security and Medicare. They understand that Social Security is generating surpluses that need a lockbox to prevent them from being spent, and they understand that Medicare needs reforms. Both issues need to be resolved. The Democrat's excuse that they will not protect Social Security unless we let them take $290 billion from the taxpayers for a Medicare lockbox, instead of reforming Medicare, is nothing more than an excuse. We are tired of hearing that excuse. We urge Democrats to stop their filibuster and to join us, finally, in protecting the Social Security surpluses.

Those opposing the motion to waive contended:

The question is not whether a lockbox will be made for Social Security but whether both Social Security and Medicare will be given lockbox protection. Enacting only a lockbox for Social Security, as demanded by Republicans, just would not give elderly Americans enough protection. In fact, the protection that it would give, while important, is less urgently needed because Medicare is currently projected to become insolvent much sooner than is Social Security. Medicare will need hundreds of billions of dollars in new revenue to keep it solvent. The alternative Democrat amendment, on which we will vote next, would set aside the hundreds of billions of dollars needed and would protect the money with a lockbox. It also would protect Social Security with a lockbox that was more flexible than the proposal on which we are about to vote. We urge our colleagues to oppose this amendment and to support the Democrat alternative amendment to follow.